U1880-3

ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
October 1990

Dr. Donald Ratajczak, Director
For Release: Tuesday, November 6, 1990

IF IT IS NOT A RECESSION, WHAT IS IT?

A revision of the industrial production figures to show gains through September suggests that the recession did not begin in July, as originally assumed. Although payrolls peaked in June, the decline prior to September could be explained as the result of reductions in Census workers. The September decline was more than that, but the hours worked in the private sector expanded. As a result, the index of hours worked rebounded to its June level in September. In October, however, the sky fell down.

The manufacturing workweek fell by 0.3 hours while the private workweek fell by 0.5 hours. Thus, the index of hours worked almost certainly will be down sharply this quarter unless the data are severely revised upward. Also, construction lost 80,000 jobs while manufacturing lost more than 60,000 for the second consecutive month. More manufacturing jobs have been lost since January 1989 than in the 1970 recession. While employment was collapsing, hourly earnings remained unchanged. This does not mean that wage inflation vanished, for the job losses were in the high wage sectors. Nevertheless, hourly earnings are only 3.6% above previous year levels, as compared to more than 4.2% earlier in the year. More significantly, declining employment, a shrinking workweek, and no change in hourly earnings means little change in personal income and an actual decline in wage and salary earnings.

COLLEGE OF BUSINESS ADMINISTRATION
GEORGIA STATE UNIVERSITY
UNIVERSITY PLAZA
ATLANTA, GEORGIA 30303-3083
404-651-3282

The cumulative downward process that normally typifies recessions occurs because weakness in a few sectors eventually reduces consumer confidence and lowers purchasing power enough to force weakness upon other sectors not directly related to those which instigated the initial employment decline. This appears to be the process that is now evolving.

Of course, extraneous favorable events, such as a large decline in oil prices, could limit the degree of downward damage. Oil prices are falling from unsustainable heights (in the absence of hostilities). Therefore, the damage to the economy from the oil wealth transfer may be less than $80 billion (as compared to the $120 billion consistent with $38 oil in our previous analysis). This should reduce the risk that a severe recession will develop. However, hostilities still could create a much larger economic decline than currently appears likely. Thus, caution remains the appropriate way to approach current conditions.

If the aim of Congressman Gingrich was to get a better budget proposal than one developed by the budget summit, he did not achieve his end. The initial proposal included a significant increase in consumption taxes and actually encouraged some investment activity. Once the Republicans in the house decided to fight any tax increase without the support of their president, the Democrats added an additional wrinkle in the form of soaking the rich. Thus, marginal tax rates, which were largely untouched in the initial proposal, were increased in the final agreement. This was in addition to the reduced deductions for high income earners that was contained in the original proposal.

Although an exclusion was included for capital gains, this merely eliminates the likelihood that capital transactions would receive a higher tax rate in the absence of such an exclusion. Clearly, confusion won the day.

In addition to the class conflict that was interjected into the tax proposals, the final provisions provided a smaller tax collection for gasoline than the increased military costs incurred by the United States to preserve order in the oil producing Persian Gulf. Also, the original concept that medicare recipients along with the uncapping of wages subject to the medicare tax would pay for the shortfall in that system gave way to a break between contribution and benefit in that insurance program. Thus, some equity was lost among programs, even if the total tax burden was considered more equitable.

Raising the marginal tax rate, reducing the consumption foundations of the tax proposals, and reducing any connection between contributions and benefits in one of the government's important insurance programs does not seem to be a good conclusion to the Gingrich revolt.

Although some of the expenditures reductions are substantial, especially in the farm support program, which lost nearly $15 billion, and in the military; the pay-as-you-go restraint upon other expenditures during the next three years remains to be tested. According to this concept, all programs not expressly specified within the agreement or exempted, such as interest and social security, will remain at current levels unless other

funds are explicitly generated to change the programs or some other reductions are used to offset the gains. As for the $182 billion reduction in the military, virtually all of that would have occurred in the absence of a budget agreement because of the altered strategic needs of the United States. Moreover, emergencies, such as the Persian Gulf, could abrogate the military declines.

The $32 billion reduction in medicare disbursements is nothing more than a shift in medical cost sharing. Because the government will not pay fully for its clients, other medical clients will make up the difference. Most of this will be reflected in higher medical insurance premiums, which probably will continue to rise by high teens per year through the 1995 agreement period. Thus, the policy of taxing the paying sick to offset the nonpaying sick will continue to be our method of financing health programs.

The consumption taxes begin to bite December 1 with the five cent gasoline tax and then are nearly fully implemented by January 1 with half the cigarette tax, the alcohol tax and the luxury tax. the medicare tax will begin biting later in the year, as higher wage earners exceed their social security caps. Most wealthy tax payers probably will opt for paying the equivalent of their last year's tax, and will not feel the higher tax burdens in their estimated taxes until 1992. Nevertheless, much of the tax displacement (only about $20 billion annually) will reduce economic behavior at the beginning of the year. This pales in comparison to the oil wealth transfer, but it moves the economy in the same downward direction.

Also, the higher excise taxes on gasoline, alcohol, and tobacco will add about 0.2% to prices in 1991. Again, this is not substantial, but it is in the wrong direction.

If the recession began in October and is spreading, as the employment figures suggest, interest rates soon may be coming down. Concern about foreign purchases of American assets apparently did not reflect the additional purchasing power flowing to the Persian Gulf. Saudi Arabia is garnering an additional $70 billion as a result of increased oil production and higher prices. Smaller but still substantial wealth gains are developing for the other oil producing countries. Many of these producers are not willing to substantially increase oil capacity, as they feel the current price gains are temporary. Therefore, a significant amount of this wealth is being placed in short-term securities, especially U.S. treasury securities. Thus, short-term interest rates probably would be falling even without Federal Reserve action. Moreover, the moderation in inflationary fears as oil prices retrace some of their advance should encourage long-term investors. Thus, interest rates should continue falling well into next year.

Recessions are not so favorable for stock prices. However, most of the reduction in operating profits less tax liabilities already has occurred. During the summer months, inventory profits surged by nearly $31 billion. This compares to less than $3 billion in the spring. Apparently, substantial profit illusion will allow many companies to report higher profits even as their adjusted profits are falling sharply. Our analysis indicates that adjusted profits dictate stock market values because they are sustainable. Therefore, the stock market already has reflected the collapse of operating profits. If oil prices fall, inventory profits will decline, leading to a gain in adjusted profits. When coupled with an

increase in bond prices, equity values should rise. Our current projections suggest that equity prices may already have reached their annual lows. If the recession remains modest, a stock market rally could begin in earnest by the early winter months. Therefore, investors should not worry about how low the stock market will fall, but rather should be concentrating on their next combination of investments for the recovery market.

Of course, a spurt in oil prices upon the outbreak of hostilities would change the above. Initially, such hostilities could send oil to $70 per barrel. However, prices would not remain long at that level. In the meantime, interest rates would rise and economic activity would slow. For that reason, a substantial holding of cash still is justified. Moreover, the wealth transfer from $70 oil would be four times the current wealth displacement. While the current oil turmoil only slows the world's economy, the higher oil price would generate a worldwide recession. Such a condition would substantially slow the rebound in economic activity in the United States and could generate a wave of financial dislocations. An eye to such an outcome should be cast, but decisions currently should be based upon current oil prices and other conditions with only a modest premium of cash positions in case the latter scenario develops.

Monthly Statistical Highlights

	OCTOBER 1990	NOVEMBER 1990	DECEMBER 1990
Payroll Employment		-66,000	-62,000
Index of Hours Worked		-0.1%	-0.1%
Household Employment		-187,000	-91,000
Civilian Unemployment Rate		5.8%	6.0%
Personal Income	+0.0%	+0.4%	+0.4%
Savings Rate	3.1%	3.1%	3.0%
Personal Consumption	+0.4%	+0.4%	+0.4%
Retail Sales	+0.3%	+0.2%	+0.1%
Auto Sales	9.5*	9.4*	9.3*
Housing Starts	-2.4%	-0.3%	+1.1%
Housing Permits	-0.9%	-0.2%	+0.6%
Construction Expenditures	-0.1%	-0.1%	-0.0%
Business Inventories	+0.5%	+0.5%	+0.4%
Orders for Durable Goods	+1.3%	-1.5%	-0.4%
Orders - Nondefense Capital Goods	+1.3%	-5.0%	-1.1%
Industrial Production	-0.3%	-0.3%	-0.1%
CPI	+0.8%	+0.7%	+0.4%
PPI	+0.4%	+0.7%	+0.4%
Consumption Deflator	+0.7%	+0.6%	+0.4%
Leading Indicators	-0.7%	-0.4%	-0.2%
Currency Index	-3.1%	-2.2%	-1.7%
Equity Index	-1.9%	+2.6%	+1.1%
Real GNP (annual rate)	-3.4%	-3.4%	-1.4%
M1 (annual rate)	-1.4%	+2.8%	+3.1%
M2 (annual rate)	+1.3%	+3.7%	+4.1%

* auto sales in millions

COMMENTARY

EMPLOYMENT-The biggest news in the EMPLOYMENT SITUATION for October was a plunge in the workweek throughout the economy. Some of this could be a distortion caused by the Columbus day holiday, but the declines were too widespread to be totally the result of that. The diffusion index remained at less than 45%, which is in mild recessionary territory. More significantly, job losses were in construction, manufacturing, finance, retail trade, and even business services.

However, initial unemployment claims reached their highest level since 1984 in the week following the Columbus day holiday. Of course, some make-up in claims occurred and a lower claims figure is expected next week. Nevertheless, claims rose and insured unemployment increased in the week following the one used for the employment survey. Unless a substantial reversal develops, further decreases in payroll employment are inevitable in November.

The household survey is showing even a sharper decline in employment than the payroll survey. These two series were not comparable last year, although they normally move in close proximity. The absence of further gains in unemployment is because women over 20 have begun leaving the labor force. Perhaps they are discouraged because of the jobs available, but the participation rate of those women has fallen by 0.4 percentage points in the past two months. If the rate had not declined, unemployment would be 6.0%.

PERSONAL INCOME AND OUTLAYS-All but 0.3 percentage points of the 1.1% rise in consumption during September was the result of higher prices. Nevertheless, real consumer spending continued to grow through the end of the quarter. Much of the gain was in auto sales, which again responded to end of year incentives. Although auto sales remain surprisingly robust after the higher price tags of the new model year, some declines from September sales rates are developing. Also, the savings rate has fallen to 3.5% in September, with higher prices continuing into the fall, consumers will need to restrain spending to rebuild their savings, leading to a decline in inflation adjusted purchases. The surge in service spending may be partially related to weather conditions and should not persist at that level in the fall.

Wage and salary income should decline in October, leading to a further squeeze upon consumer savings. With savings rates approaching 3% in that month, the consumer simply has no capacity to maintain substantial spending until those savings rates have been restored to more normal levels. Although farm income should rebound in the fall, transfer payments probably will grow more slowly than in September.

CONSTRUCTION-The construction industry remains in deep recession. Although orders stabilized in September, they are down 9% for the first nine months. This normally means that construction spending will continue to sag until 9 to 12 months after orders rebound. The weakness appeared especially large in September because public construction fell back to more sustainable levels after a one month spurt. Slow growth is expected in public construction during the next year. However, reductions in nonresidential construction were largely concentrated in commercial activity and in industrial activity. These appear

to be economy related and should persist into 1991. Residential construction is declining sharply, in line with the previous decline in housing starts. Unfortunately, no turnaround in housing activity is apparent. Single family sales reached their lowest level of the cycle, although much of the weakness was concentrated in the South. Inventories of unsold new homes are now at a worrisome 8.4 months. Thus, further weakness is more likely than a rebound in the months ahead.

Of course, the continuing weakness in construction has begun to slow construction inflation again. Prices actually fell in September, and further moderation is likely through the fall. Despite the current unfavorable outlook for construction, falling mortgage rates, especially for adjustable mortgages should begin to stimulate housing activity by the spring. Therefore, the traditional leading position for construction appears to be developing in this downturn.

BUSINESS ACTIVITY-Orders for nondefense capital goods rebounded nicely during September, capping a satisfactory rebound from the spring. Therefore, shipments should remain strong into next spring. However, the weakening economy should reduce capital spending during 1991 after adjustment for inflation.

Electrical machinery orders have been weakening for several months, and they were joined by nonelectrical machinery in September. As a result, durable goods orders were off despite the pleasant showing in the nondefense area. Defense spending should continue to decline despite the Iraq crisis. Thus, little strength is expected in manufacturing through next year.

One of the two bright spots is the mild inventory position that most manufacturers have. No accumulated excesses have developed. Therefore, no substantial downturn in production to adjust inventory levels is needed. However, retail inventories are high and could rise rapidly if sales are as weak during the fall as expected. Thus, further weakness in production is likely into the spring to eliminate the retail problems that are beginning to build.

The strength in industrial production is out of proportion to the gains in goods production in the GNP accounts. In the past year, industrial production has increased twice as rapidly as economic activity. This suggests that some problems exist in the measurement that may lead to substantial revisions ahead. Nevertheless, recessions do not begin while industrial activity is rising. For that reason, the revision in industrial production required a revision in our estimates of when the recession began.

PRICES-The consumption deflator has begun to lag behind the CPI. Shifts away from expensive energy may account for this change, as the former is not a fixed weighted system. Even with a substantial slowing in oil prices after October, inflation remains strong until December. The surge in service inflation should slowly ebb but higher auto prices from the weakening dollar will partially offset that improvement. Therefore, the higher than normal price increases from the oil shock may persist somewhat longer than originally expected. In any case, inflation should be subsiding noticeably by the winter.

We cannot capture the third quarter GNP deflator with our formulas. Clearly, the increase only from a fixed weighted 3.9% gain in the spring to 4.1% in the summer makes little sense. To be sure, higher prices for imported oil should have no effect upon the deflator, which reflects price changes for domestic production. But half our oil is produced domestically, and those prices rose too. Also, service inflation intensified, while even construction prices were rising more sharply during the summer.

One possible distortion in the deflator could be caused by the practice of deflating the inventory and fixed investment components with the PPI, which includes only domestic prices. Therefore, whenever imported prices rise faster than the comparable domestic prices, inventories and fixed investment will not reflect the full price effect of the imported goods. Thus, the deflator will be understated. In subsequent quarter, this discrepancy should vanish. Our calculations suggest that the deflator may be understated by as much as 1%. Therefore, our fourth quarter estimate, which is based on our formula, may be understated accordingly. That would suggest that GNP could be overstated by that amount. Fourth quarter estimates could shed considerable light on this potential distortion.

MISCELLANEOUS-Rising oil prices should continue to damage the trade balances for several more months. In fact, oil imports were priced at only $19.70 in August. Clearly, substantially higher oil deficits are likely in the months ahead. However, excluding oil, the trade balances would have improved by nearly a billion dollars. When oil prices subside, a substantial improvement in the trade deficit should reappear.

The leading indicators fell sharply for the second consecutive month, with only orders for plant and equipment showing any gain. Further large declines are virtually guaranteed for October, as sensitive prices are weakening, stock prices are down, consumer sentiment plunged again, the workweek fell sharply, and initial unemployment claims soared. In the past, three consecutive declines in the leading indicators meant a recession was ahead. However, the indicators fell for five months in 1987 with no recession around. In that year, however, weakness was concentrated and many of the declines were small.

The IVA exploded during the summer, leading to a dramatic drop in adjusted profits. Because of this excessive shift in inventory profits, adjusted profits may have reached their cyclical lows at an unusually early phase of this downturn. If so, stock prices may also have already discounted the earnings damage that the recession may bring.

Of course, recession, falling short-term interest rates and rising trade deficits do not support the currency markets. The capital flows needed to offset the trade deficits are not willingly seeking domestic investment opportunities under such conditions. Further weakness in the dollar is likely until either the trade deficits shrink, which will occur after oil prices fall, or capital flows again are attracted. Because assets are cheap in the United States, such flows may be forthcoming once the dimensions of the downturn are realized. Thus, the dollar may begin rebounding in the winter months, but no sharp gains are likely soon.

FINANCIAL MARKETS

Almost every indicator suggested rising interest rates, at least through the quarterly funding. However, the markets apparently had discounted the swelling government deficit and recognized that even the bad budget agreement would reduce deficit financing during the next two years. Indeed, the deficit probably will be peaking in the winter and begin a gradual decline afterwards.

Foreign investors were concerned about further dollar weakness and lower projected returns in the United States than in their own countries, but the dollar's weakness has exposed real values for foreign investors. Moreover, falling interest rates in the United States allow some capital gains in bond investments. Furthermore, enough wealth is flowing to oil producers that the worldwide capital shortage is easing. With some of this wealth returning to American assets, the absence of Japanese investors in the government markets has been muted.

The surge in inventory profits apparently led to peak corporate borrowings in September. Although borrowings remained strong in October (largely through commercial paper placements)inventory profits are now receding. That means that inventory investments are slowing. Although corporate profits remain weak, the quality of those profits are improving. This means that the corporate sector is beginning to pare its borrowing needs.

The household sector has been supplying a reduced amount of funds to the credit markets as rising gasoline prices have caused a collapse in savings. However, mortgages are now falling almost as rapidly. If savings stabilize later in the fall, the falling mortgage rates will begin to lower the net borrowing activity of the household sector.

Together, the borrowing needs are receding along with the economy. Although the Federal Reserve remains reluctant to supply funds, as shown by the decline in money measures in October, economic conditions are now dictating lower rates. In this environment, the absence of Federal Reserve action merely increases the attractiveness of long-term government bonds.

Unfortunately, recession fears are not allowing all bonds to rally. Returns to financial instruments and industrial bonds actually fell in October even as long-term government bonds showed substantial gains. Only when the private issues also are experiencing rising prices will any stimulus in economic activity be forthcoming.

Government supply may cause some gains in interest rates early in the winter, but without hostilities, bond prices probably have bottomed for this cycle.

EQUITY MARKETS-Barring hostilities, the equity markets are finding true value. Although an averaging program should be followed, just in case hostilities provide better values, rising stock values now are likely. Of course, recession proof issues and export oriented issues remain the preferred investments. This includes food products and pharmaceuticals. Technology stocks have some interest, but changing conditions require

selectivity. For instance, consolidation in software and the rapid improvement in PC power and networking have significantly changed the technology landscape. Furthermore, the mild recession should prevent substantial gains until the economy has begun to recover.

Some companies without substantial inventory profits may appear to languish in the current environment, but they will outperform the energy and chemical based companies during the rebound. Moderate increases in equity holdings are recommended, although the outlook could change tomorrow if oil prices surge as a result of hostilities.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
April 1990	110177		124.2		118116		5.4	9.96	
May	110617	1.7	124.6	0.8	118350	0.7	5.3	9.98	4.2
June	110829		125.3		118389		5.2	10.03	
July	110740		124.8		117953		5.5	10.07	
August	110613	0.4	124.6	0.6	117658	-1.5	5.6	10.09	4.3
September	110561		125.3		117898		5.7	10.13	
October	110493		123.3		117711		5.7	10.13	
November	110427 *	-0.8	123.2 *	-5.3	117620 *	-0.7	5.8 *	10.17 *	2.8
December	110365		123.1		117559		6.0	10.20	
January 1991	110304		123.0		117503		6.1	10.23	
February	110276	-0.6	122.7	-1.3	117441	-0.6	6.3	10.27	4.0
March	110242		122.7		117403		6.3	10.30	
April	110227		122.6		117396		6.3	10.33	
May	110217	-0.2	122.6	-0.5	117405	-0.1	6.3	10.37	4.0
June	110212		122.7		117423		6.4	10.40	
July	110234		122.8		117454		6.5	10.44	
August	110251	0.1	122.9	1.0	117492	0.3	6.6	10.47	4.2
September	110265		123.1		117515		6.7	10.51	
Chng Sept(91)/Sept(90)		-0.3		-1.8		-0.3			3.8
Chng Sept(90)/Sept(89)		1.6		1.7		0.4			3.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1990	4.605		2.682		196.5		3.911		3.715	
May	4.621	5.6	2.696	7.1	207.2	17.3	3.923	4.6	3.716	4.0
June	4.641		2.711		181.5		3.943		3.761	
July	4.663		2.727		176.1		3.959		3.782	
August	4.673	4.9	2.728	5.6	162.3	-55.4	3.965	4.5	3.803	8.7
September	4.697		2.745		139.9		3.983		3.843	
October	4.699 *		2.739 *		122.5 *		3.982 *		3.860 *	
November	4.718	3.5	2.749	2.2	122.4	-66.5	3.998	2.8	3.876	7.1
December	4.736		2.757		119.0		4.009		3.890	
January 1991	4.753		2.764		125.3		4.033		3.908	
February	4.768	4.7	2.770	3.3	121.5	9.7	4.049	5.6	3.928	5.5
March	4.794		2.779		125.6		4.072		3.946	
April	4.804		2.787		115.8		4.079		3.963	
May	4.825	4.6	2.799	4.1	114.7	-26.2	4.097	4.6	3.982	5.7
June	4.847		2.811		114.7		4.116		4.001	
July	4.870		2.825		114.6		4.136		4.021	
August	4.892	5.8	2.837	5.8	112.9	-1.0	4.155	5.9	4.042	6.1
September	4.918		2.854		116.8		4.178		4.061	
Chng Sept(91)/Sept(90)		4.7		4.0		-16.5		4.9		5.7
Chng Sept(90)/Sept(89)		6.5		5.8		-6.7		6.2		6.8

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	3606.9		480.6		1174.3		1952.0		2675.3	
May	3608.1	4.1	472.9	-10.0	1174.2	1.4	1961.0	4.9	2667.4	0.3
June	3653.2		481.7		1188.4		1983.1		2693.6	
July	3673.9		485.8		1192.1		1996.1		2702.2	
August	3694.1	8.9	476.5	4.0	1202.6	8.3	2014.9	10.4	2698.9	3.6
September	3733.9		487.2		1213.6		2033.1		2706.9	
October	3750.5 *		485.4 *		1222.3 *		2042.7 *		2701.4 *	
November	3766.3	7.2	483.3	0.3	1228.2	8.4	2054.8	8.2	2696.6	-0.7
December	3780.4		482.0		1231.0		2067.3		2695.1	
January 1991	3797.7		482.7		1234.6		2080.4		2696.6	
February	3817.2	5.5	484.8	0.9	1239.0	3.8	2093.4	7.7	2702.9	0.7
March	3835.8		486.5		1242.5		2106.8		2708.4	
April	3852.2		485.8		1247.3		2119.1		2710.1	
May	3871.0	5.8	487.5	2.6	1251.8	4.1	2131.7	7.5	2715.0	1.8
June	3889.7		490.0		1254.9		2144.8		2719.2	
July	3909.4		491.5		1259.6		2158.3		2723.6	
August	3929.8	6.2	493.2	4.4	1265.3	4.4	2171.2	7.6	2728.4	1.9
September	3948.5		494.5		1269.4		2184.6		2730.4	
Chng Sept(91)/Sept(90)		5.7		1.5		4.6		7.5		0.9
Chng Sept(90)/Sept(89)		6.9		0.5		6.3		8.8		1.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	147.89		22.78		9.5		94.27		30.84	
May	147.78	-3.6	22.67	8.7	9.3	-6.7	94.26	1.4	30.85	-13.5
June	149.43		22.73		9.9		95.59		31.11	
July	150.20		22.77		9.7		96.00		31.43	
August	149.64	5.5	22.57	-2.3	9.4	7.2	96.80	9.2	30.27	0.2
September	151.25		22.44		10.1		97.67		31.14	
October	151.77 *		22.37 *		9.5 *		98.37 *		31.03 *	
November	152.01	4.3	22.31	-4.4	9.4	-13.0	98.84	8.2	30.86	-1.2
December	152.10		22.35		9.3		99.07		30.68	
January 1991	152.46		22.30		9.3		99.36		30.80	
February	153.04	2.8	22.36	0.5	9.4	-1.4	99.71	3.8	30.97	1.2
March	153.51		22.45		9.4		99.99		31.07	
April	153.82		22.51		9.3		100.38		30.93	
May	154.37	3.6	22.47	2.6	9.4	1.4	100.74	4.1	31.16	2.6
June	154.90		22.56		9.5		100.99		31.35	
July	155.44		22.51		9.6		101.37		31.56	
August	156.09	4.4	22.63	1.7	9.6	8.8	101.83	4.4	31.63	6.4
September	156.56		22.68		9.6		102.16		31.72	
Chng Sept(91)/Sept(90)		3.5		1.1		-5.0		4.6		1.9
Chng Sept(90)/Sept(89)		2.7		-0.4		-4.7		6.5		-5.6

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	1.216		0.898		0.318		1.108	
May	1.206	-53.1	0.897	-53.4	0.309	-53.3	1.065	-65.1
June	1.189		0.889		0.300		1.108	
July	1.153		0.875		0.278		1.082	
August	1.142	-18.6	0.841	-12.9	0.301	-33.5	1.050	-16.3
September	1.135		0.877		0.258		1.006	
October	1.108 *		0.853 *		0.255 *		0.997 *	
November	1.105	-11.2	0.855	-3.2	0.250	-32.7	0.995	-17.2
December	1.117		0.864		0.253		1.001	
January 1991	1.124		0.866		0.258		1.004	
February	1.116	5.3	0.861	3.8	0.255	10.4	1.001	2.8
March	1.133		0.869		0.264		1.009	
April	1.143		0.875		0.268		1.020	
May	1.151	9.7	0.881	7.4	0.270	17.5	1.025	8.3
June	1.158		0.887		0.271		1.030	
July	1.162		0.892		0.270		1.033	
August	1.183	10.7	0.905	10.5	0.278	11.3	1.039	6.3
September	1.196		0.913		0.283		1.050	
Chng Sept(91)/Sept(90)		5.4		4.1		9.7		4.4
Chng Sept(90)/Sept(89)		-10.1		-9.5		-12.2		-23.2

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	138.6		106.0		200.2		444.7		406.0	
May	137.9	-0.6	109.8	-10.4	196.1	-10.1	443.8	-7.5	404.2	-8.9
June	140.1		111.5		189.5		441.1		401.1	
July	144.7		108.1		188.5		442.4		400.7	
August	139.5	4.7	115.1	6.5	186.5	-18.1	442.5	-4.7	400.5	-6.8
September	137.2		109.3		182.2		428.7		389.0	
October	136.7 *		111.1 *		180.6 *		428.4 *		388.4 *	
November	136.9	-9.4	111.5	1.6	179.4	-12.4	427.8	-8.7	387.1	-9.2
December	137.5		111.2		179.0		427.7		386.4	
January 1991	137.1		111.7		178.8		427.6		385.2	
February	137.4	1.2	112.4	2.9	178.9	-1.4	428.7	0.5	385.5	-2.1
March	137.8		112.1		179.4		429.3		385.0	
April	138.4		112.5		179.9		430.8		385.7	
May	137.8	2.2	112.9	3.1	180.5	3.5	431.2	3.0	385.0	0.3
June	138.3		113.4		181.3		433.0		385.9	
July	138.9		113.8		182.2		434.9		386.6	
August	139.2	3.0	114.2	4.7	183.6	6.8	437.0	5.0	387.4	2.1
September	139.5		114.7		184.9		439.1		388.6	
Chng Sept(91)/Sept(90)		1.7		4.9		1.5		2.4		-0.1
Chng Sept(90)/Sept(89)		-1.4		7.9		-5.6		-1.1		-2.6

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	372.3		123.61		36.57		35.30	
May	372.4	-1.3	128.74	10.7	35.93	-21.1	35.30	-3.5
June	370.7		124.69		36.19		36.62	
July	373.3		128.09		39.84		35.10	
August	374.3	3.2	126.98	3.5	35.87	21.4	36.72	4.6
September	376.5		125.21		38.37		36.62	
October	378.4 *		126.78 *		38.87 *		36.75 *	
November	380.1	5.7	124.93	-4.3	36.93	-6.0	36.24	3.7
December	381.3		124.45		36.54		36.43	
January 1991	382.6		124.41		36.21		36.65	
February	383.7	4.1	124.96	-1.1	36.45	-9.5	36.65	2.9
March	385.0		125.72		36.90		36.91	
April	386.3		126.21		37.53		36.84	
May	387.8	4.2	126.05	3.9	37.50	11.6	36.93	1.8
June	389.1		126.43		37.59		36.94	
July	390.5		125.84		36.95		36.82	
August	391.8	4.4	125.89	-1.0	36.65	-8.8	36.69	-1.4
September	393.4		125.97		36.47		36.81	
Chng Sept(91)/Sept(90)		4.5		0.6		-5.0		0.5
Chng Sept(90)/Sept(89)		1.6		0.5		8.3		2.8

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	796.1		8.92		108.8		83.1	
May	800.4	1.5	9.18	30.1	109.4	4.3	83.4	1.8
June	796.5		9.10		110.1		83.7	
July	802.2		8.95		110.3		83.7	
August	806.5	4.3	9.11	-2.3	110.4	3.8	83.6	1.1
September	809.7 *		8.98		110.7		83.6	
October	813.7		8.73 *		110.4 *		83.2 *	
November	817.8	5.8	8.56	-13.1	110.1	-1.1	82.8	-3.8
December	821.1		8.82		110.0		82.5	
January 1991	824.7		8.63		109.8		82.1	
February	827.6	5.1	8.55	-3.9	109.5	-2.2	81.8	-4.7
March	830.9		8.67		109.4		81.6	
April	832.9		8.68		109.4		81.4	
May	836.3	4.2	8.60	2.5	109.5	-0.2	81.2	-2.9
June	839.8		8.73		109.6		81.1	
July	842.7		8.71		109.7		81.0	
August	845.3	4.5	8.74	1.5	109.8	1.2	80.9	-1.5
September	848.8		8.66		110.0		80.9	
Chng Sept(91)/Sept(90)		4.8		-3.6		-0.6		-3.2
Chng Sept(90)/Sept(89)		2.2		-2.3		2.2		-0.4

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	129.3		116.6		113.2		130.5	
May	129.6	4.2	117.0	-1.2	113.5	-1.6	131.0	4.7
June	130.2		117.2		113.1		131.3	
July	130.7		117.1		113.2		131.5	
August	131.8	6.5	118.6	6.3	115.9	9.3	132.0	3.4
September	132.8		120.5		118.3		132.7	
October	133.8 *		121.0 *		119.9 *		133.5	
November	134.7	8.8	121.8	10.4	120.3	16.6	134.2	6.5
December	135.2		122.3		120.8		134.8	
January 1991	135.7		122.7		121.0		135.3	
February	136.1	4.6	122.9	3.9	120.9	1.8	135.7	4.6
March	136.5		123.0		120.7		136.1	
April	137.0		123.4		120.9		136.5	
May	137.5	4.1	123.7	2.7	121.1	0.9	137.0	3.8
June	137.9		124.0		121.4		137.4	
July	138.4		124.3		121.7		137.9	
August	138.9	4.3	124.8	3.7	122.1	3.3	138.3	4.1
September	139.5		125.4		122.6		138.8	
Chng Sept(91)/Sept(90)		5.0		4.1		3.6		4.6
Chng Sept(90)/Sept(89)		6.2		5.9		5.5		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	134.8		112.1		129.1		146.0		109.5	
May	135.3	3.7	112.2	-1.0	129.2	3.5	146.7	4.2	109.8	1.0
June	135.6		112.0		130.0		147.0		110.0	
July	136.0		112.2		130.0		147.6		110.5	
August	136.9	5.1	112.3	1.0	131.2	6.3	148.4	5.1	110.5	2.3
September	137.9		112.6		133.1		149.2		110.2	
October	138.8 *		112.8 *		134.7 *		149.8 *		110.3 *	
November	139.7	8.0	113.1	2.6	136.0	13.7	150.4	5.6	110.5	0.4
December	140.3		113.4		136.5		151.1		110.7	
January 1991	140.8		113.6		137.0		151.8		111.0	
February	141.2	4.8	113.9	2.9	137.1	4.0	152.4	5.4	111.2	2.7
March	141.6		114.2		137.1		153.1		111.5	
April	142.1		114.5		137.5		153.7		111.7	
May	142.6	3.9	114.7	2.8	137.8	2.3	154.3	5.0	112.0	2.7
June	143.0		114.9		138.2		154.9		112.2	
July	143.5		115.1		138.5		155.6		112.5	
August	144.0	4.2	115.4	2.5	138.9	3.2	156.2	5.1	112.8	2.9
September	144.6		115.7		139.4		156.9		113.0	
Chng Sept(91)/Sept(90)		4.9		2.8		4.7		5.2		2.5
Chng Sept(91)/Sept(90)		5.7		1.4		7.9		5.1		1.5

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj
April 1990	-7.31		145.2		5417		4150		-3.3
May	-7.77	62.0	146.0	0.3	5440	5.1	4154	0.4	-0.7
June	-5.34		146.1		5472		4166		2.0
July	-9.12		146.1		5485		4171		-2.8
August	-9.34	-282.7	144.4	-3.2	5510	5.3	4174	1.8	-34.9
September	-10.10 *		143.3		5545		4179		-65.3
October	-10.56		142.3 *		5562		4167		-61.6
November	-10.29	-30.4	141.8	-7.3	5577	4.7	4155	-1.7	-53.4
December	-9.67		141.5		5593		4150		-42.1
January 1991	-9.31		141.4		5611		4147		-37.6
February	-8.42	48.6	141.8	-0.2	5620	3.2	4142	-1.4	-31.3
March	-8.11		142.2		5633		4140		-30.4
April	-8.36		142.6		5645		4134		-22.7
May	-8.41	20.1	142.2	1.8	5662	3.1	4134	-0.7	-23.8
June	-7.66		142.5		5685		4138		-17.6
July	-7.07		142.9		5715		4146		-14.8
August	-6.63	55.4	143.4	2.8	5744	5.9	4153	1.8	-11.2
September	-6.27		144.0		5779		4162		-10.7
Chng Sept(91)/Sept(90)		37.9		0.5		4.2		-0.4	
Chng Sept(90)/Sept(89)		-13.2		-1.1		5.3		1.1	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	93.51		168.9		8.76		185.61	
May	92.04	-2.0	173.7	16.2	8.83	28.1	191.35	12.7
June	92.43		177.6		8.46		196.68	
July	89.68		167.6		8.50		196.61	
August	86.55	-20.7	150.4	-44.3	8.86	5.3	181.45	-14.5
September	86.10		131.5		9.03		173.52	
October	83.43		130.3		8.84 *		170.27 *	
November	81.63 *	-23.5	131.4	-40.1	8.56	-7.4	174.66	-20.1
December	80.26		133.7		8.49		176.50	
January 1991	79.85		136.4		8.38		179.69	
February	79.82	-9.0	139.2	22.6	8.69	-5.3	174.18	8.0
March	79.94		140.5		8.47		177.67	
April	80.65		144.3		8.28		183.87	
May	82.14	9.4	145.8	21.9	8.13	-13.9	186.37	18.1
June	82.27		147.1		8.19		183.85	
July	83.31		150.4		8.12		186.75	
August	82.28	8.6	153.2	21.3	8.02	-6.2	189.71	7.8
September	84.59		155.2		8.07		188.13	
Chng Sept(91)/Sept(90)		-1.8		18.0		-10.6		8.4
Chng Sept(90)/Sept(89)		-15.5		-16.2		10.8		-10.1

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	304.8		807.3		3277.3		8.26		7.84	
May	305.8	4.1	805.4	3.6	3270.9	2.9	8.18	-0.3	7.76	2.3
June	308.2		809.4		3278.6		8.29		7.63	
July	309.2		809.2		3284.0		8.15		7.52	
August	312.5	8.6	816.2	4.4	3302.0	3.2	8.13	-4.0	7.38	-16.3
September	316.3		822.8		3317.7		8.20		7.32	
October	318.5 *		821.8 *		3321.3 *		7.95 *		7.14 *	
November	319.6	9.1	823.7	3.8	3331.4	3.8	7.73	-19.1	7.01	-19.0
December	320.5		825.8		3342.6		7.54		6.93	
January 1991	322.0		828.4		3353.7		7.51		6.84	
February	323.4	4.9	831.3	3.7	3367.2	4.5	7.36	-17.8	6.76	-15.2
March	324.7		833.9		3385.4		7.24		6.63	
April	326.5		836.1		3397.6		7.21		6.60	
May	328.1	6.0	841.6	5.0	3417.5	5.7	7.02	-16.4	6.49	-12.4
June	329.7		844.7		3432.1		6.91		6.48	
July	331.0		848.3		3447.8		6.78		6.39	
August	332.8	5.7	852.1	5.2	3462.5	5.7	6.76	-14.5	6.40	-7.0
September	334.3		855.9		3479.3		6.79		6.43	
Chng Sept(91)/Sept(90)		5.7		4.0		4.9		-17.2		-12.2
Chng Sept(90)/Sept(89)		8.1		5.1		4.9		-8.6		-5.5

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
April 1990	9.46		7.44		8.30		8.42		10.00	
May	9.47	9.1	7.35	8.0	8.25	1.1	8.35	5.5	10.00	-1.5
June	9.26		7.24		8.14		8.23		10.00	
July	9.24		7.19		7.99		8.10		10.00	
August	9.41	0.3	7.32	-1.6	7.88	-13.2	7.97	-13.2	10.00	0.0
September	9.56		7.43		7.96		8.06		10.00	
October	9.52 *		7.45 *		8.02 *		8.08 *		10.00 *	
November	9.33	-1.0	7.26	-0.5	7.84	-6.2	7.95	-6.8	9.89	-7.9
December	9.29		7.20		7.59		7.68		9.50	
January 1991	9.25		7.16		7.43		7.57		9.50	
February	9.41	-1.4	7.34	-2.0	7.37	-22.3	7.49	-19.0	9.50	-11.6
March	9.38		7.30		7.22		7.43		9.50	
April	9.27		7.21		7.15		7.22		9.50	
May	9.15	-6.1	7.08	-6.4	7.11	-13.4	7.19	-16.6	9.50	-3.9
June	9.18		7.15		6.98		7.08		9.22	
July	9.20		7.12		6.85		6.99		9.00	
August	9.15	-1.9	7.06	-4.6	6.84	-11.5	6.97	-9.2	9.00	-16.2
September	9.12		7.01		6.91		7.02		9.00	
Chng Sept(91)/Sept(90)		-4.6		-5.7		-13.2		-12.9		-10.0
Chng Sept(90)/Sept(89)		6.1		2.3		-8.4		-8.3		-4.8

PROJ includes current information until the * and then projections by month thereafter
ARX is the annualized percentage change from the previous quarter.